RENEWABLES WORKING GROUP REPORT

Draft, 6/25/96

I. INTRODUCTION

The California Public Utilities Commission's December 20, 1995, decision on electric industry restructuring (D.95-12-063 as modified by D.96-01-009) provides for the establishment of an enforceable "minimum renewables purchase requirement" within the overall resource mix supplying California's electricity. The intention of the policy is to preserve the environmental and resource-diversity benefits already provided by the renewable energy industry in California, as well as allow for the continuing development of renewables. California is the world leader in the development of renewable energy.

A renewables working group formed on an ad hoc basis early in 1996 to address the major issues involved in the implementation of the Commission's renewables policy. The group has been meeting on a bimonthly basis ever since, with a growing attendance that includes representatives from all of the renewable power industries, all of the major private and public electric utility companies in the state, state agencies, and consumer and environmental advocacy groups. The working group invited all parties to submit comprehensive program proposals for the implementation of the CPUC's renewable energy policy. Six program proposals have been received by the group, as well as two adjunct proposals. Five of the six comprehensive program proposals present strategies for the implementation of the minimum renewables purchase requirement included in the CPUC's restructuring decision. The sixth proposal is for a surcharge-funded program that distributes renewable production credits on the basis of a bidding process. These proposals provide a variety of approaches to the development of a working renewables policy for California, and illustrate the range of issues that must be addressed in formulating the program.

This working group report to the CPUC begins by setting the context for the development of a renewables policy in California by reviewing the existing legal and regulatory framework within which the policy must fit. This review is followed by a brief presentation of data and information relevant to the current status of renewable energy production in California. The second section of the report summarizes the Commission's renewables policy as articulated

in the December 20, 1995, decision on restructuring, and the follow-up roadmap decision. A recitation of the major implementation issues identified by the Commission and the working group is provided.

The third section of the report presents the six comprehensive program proposals and two adjunct proposals that have been received by the working group. Each proposal provides answers by the proposal sponsors to all of the implementation issues that are presented in section II. Each proposal is followed by a series of one-hundred word statements submitted by working group participants commenting on the proposal, and indicating support or opposition. The fourth section of the report analyzes the commonalities and differences among the proposals, and highlights areas of broad group consensus. The final section of the report contains appendices including a roster of working group participants, a list of acronyms, and a series of commentaries (maximum five pages each) submitted by interested working group participants.

A. Existing law and regulations

The Commission and Legislature have indicated that renewable resources provide environmental and fuel diversity benefits to California. Under Public Utilities Code Section 701.1(a), "a principal goal of electric . . . utility resource planning and investment shall be to minimize the cost to society of the reliable energy services that are provided by natural gas and electricity, and to improve the environment and to encourage the diversity of energy sources through . . . development of renewable energy resources, such as wind, solar, biomass, and geothermal energy." In calculating the cost-effectiveness of energy resources, the Commission is directed under Section 701.1(c) to include a value for any costs and benefits to the environment, including air quality. Section 701.4 makes it state policy for electric resource acquisition programs to recognize and include a value for the resource diversity provided by renewable resources. The Commission is further directed to set aside a portion of electric capacity needed for California renewable resources until it "completes an electric generation procurement methodology that values the environmental and diversity costs and benefits associated with various generation technologies." (Section 701.3)

These legislatively-directed policies have been implemented by the Commission through environmental externality valuation and set-asides in the solicitation for new generation authorized in the Commission's Biennial Resource Plan Update (I.89-07-004). In 1993, the BRPU led to ___ MW of winning renewable energy bids at an average cost of ___¢/kWh. However, due to a February 1995 ruling by the Federal Energy Regulatory Commission that the BRPU process violated the Public Utility Regulatory Policies Act (PURPA), the BRPU process has not yet led to any new utility contracts with renewables.

As the Commission noted in its restructuring decision, the present mix of renewables on the system was driven by resource diversity interests on the part of utilities and the

Commission's implementation of PURPA, which encouraged the growth of independent power production in general, and renewables in particular, during the 1980s.

B. Useful information and data

[This section is not available at this time. It will be included in Draft #2 of the renewables working group report.]